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Second country cooperation framework for the Czech Republic (2001-2004)

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Introduction

1. The second country cooperation framework (CCF) for the Czech Republic (2001-2004) has been prepared in consultation with the Government, civil society, the private sector and donors. This process served to review the first CCF (1997-1999, with an extension to 2000) and to formulate the orientation of the second CCF. Current issues and approaches were identified using the national human development reports (NHDRs), the country review, other programme and government documents, discussions with various officials at the national level and with non-governmental organizations (NGOs) and other potential counterparts.

I. Development situation from a sustainable human development perspective

2. In its transition towards democracy and a market-oriented economy, the Czech Republic encountered several of the key benefits and hurdles of a country in transition. Over the past decade, Czech society has evolved through major economic, political and social changes as it orients itself to full European Union integration.

3. The social and economic transition of the Czech Republic can be divided into three phases. The first phase, 1990-1993, was marked by a 13 per cent fall in gross domestic product (GDP) with accompanying unemployment and social difficulties. Inflation was high, reaching 130 per cent over the period. During the second phase (1994 to mid-1997), rapid economic recovery occurred. During this period, GDP rose 4 to 6 per cent per year. Unemployment decreased and consumer prices stabilized with a growth in real wages. At the same time, the external balance deteriorated. At the end of this stage, the negative current account balance equalled 6 to 7 percent of GDP. These macroeconomic imbalances laid the groundwork for a weakened economy in the remainder of 1997 to mid-1999. During this third period, the quarterly declines in GDP were 1 to 4 percent. This was accompanied by an unemployment rate that increased to a high of 8.2 per cent from a low of 4.4 per cent in 1997. Inflation did not reach the rates of the early 1990s, mainly because of tight monetary control. Since the second half of 1999, economic growth has been experienced at low levels. At the same time, employment growth has remained stagnant, although real wages have increased once again. The external account balances, while still negative, are within a reasonable range.

4. While certain progress towards reform has been made, the need to further the transition process remains with regard to the banking sector including privatization, the energy sector, further industrial reform, environmental protection and greater public-administration reform. Accession to the European Union has been a driving force in addressing some of these areas. However, as is being discovered, while membership to the European Union is a goal, achieving this goal has proven difficult. The Government is now grappling with the issues of further reforms and adjusting to meet European Union requirements. The question is not necessarily the willingness to adopt reforms, laws and policies, but the institutional capacities and human resources to implement and enforce the changes.

5. Demographically, the population is declining (10.3 million), mainly because of a decreased birth rate. At the same time, life expectancy is increasing. As in several

other Central European countries, this is a medium- to long-term social and economic issue as the greying of the population occurs. As opposed to developed OECD countries, also confronted with this issue, the Czech Republic and other Central European countries have not yet identified or addressed it in order to halt potential future social and economic disruptions.

6. The social-welfare system consists of health care for all sectors of the population via a mix of public-sector programmes and private sources, including insurance; unemployment benefits, including work programmes and training/retraining; and a comprehensive pension system.

7. Poverty is not a serious issue. There are programmes that offer social protection above the estimated poverty level. There are region-to-region income disparities but no overwhelming differences; the Government seeks to concentrate its development efforts in economically distressed areas. Income disparities between top- and bottom-level wage earners have widened, but not to alarming levels.

8. The Czech Republic has been a member of the Organisation for Economic Cooperation and Development (OECD) since 1995. The Human Development Report 1999 shows the Czech Republic to have a human development index (HDI) value of 0.833, a ranking of 36 out of 174 countries.

II. Results and lessons of past cooperation

9. The main thematic areas of the first CCF were: (a) environmental management and protection; (b) support to local initiatives; and (c) the promotion of national capacities for international development cooperation. During that cycle, UNDP cooperation evolved in an innovative manner in the Czech Republic. The Government strengthened its ability to conduct development-assistance efforts and to directly assist and facilitate UNDP interventions in a very targeted manner. Although UNDP assistance has been minimal in terms of magnitude, it has been very effective in identifying and advocating certain issues not yet addressed and in providing key assistance to advance sustainable initiatives.

10. An example of the country's innovative approach was visible in its support to local initiatives. This umbrella-type project provided small grants, complemented by counterpart matching funds, to support concrete capacity-building and action-oriented projects related to local initiatives, public participation and civic awareness. It has also provided training to applicants in grant writing and project implementation.

11. Sustainable development is approached in a comprehensive manner by assisting in the preparation of the national strategy of sustainable development, which is currently being developed. Professionals and other stakeholders took part in its preparation and its main focus is to advance the sustainable development approach and to foster issue advocacy and follow-up actions after the strategy is prepared.

12. Environmental management and protection is being addressed through a UNDP/Global Environmental Facility (GEF) project to improve the energy efficiency of new buildings in the country. This pilot project has made progress in preparing the architectural designs, construction plans and building standards for low-energy buildings. It has also made progress in furthering the acceptance of

municipal government involvement and investment and in attracting private-sector finance and construction interest. The aim is to promote the concept throughout the country.

13. National capacities for international development cooperation are being promoted through a capacity-building project, which has assisted the Government in focusing on required approaches and capabilities. The emphasis to date has been on awareness-raising within the Government, as well as on training and study tours. As a result, while capacity-building is receiving more attention, greater emphasis should be given to establishing a working institution that can coordinate Czech development-assistance efforts and the coordination of existing development assistance provided by the Government should be enhanced.

14. The main lessons learned from past and ongoing project activities is that implementation must be carefully monitored so that projects stay on track and meet objectives and time targets. Furthermore, at times it is necessary that more senior levels of Government follow and promote specific issues or projects. UNDP can help promote these issues in a more effective and timely manner if, when needed, senior United Nations or other experts are brought in to help progress the operational work of policy- and other decision-making. This is especially important in the Czech Republic and other Central European countries where UNDP presence is limited and mainly national personnel are used in project execution.

III. Objectives, programme areas and expected results

15. The Czech Republic will become a net contributor to UNDP in 2001. The main priorities of the Government, in terms of UNDP assistance, are to: (a) assist the transition of the Czech Republic as an emerging donor; and (b) continue current project efforts to further the concept of sustainable development. Again, UNDP will approach this cooperation in an innovative manner that will facilitate targeted development and further the combined efforts of the Government and UNDP to extend the Czech experience and expertise to other countries in earlier stages of transition.

A. Furthering development assistance capacities

16. The Government currently provides development assistance through several channels: emergency and humanitarian, education and training, and commercial technology training and development. Current support to advance development-cooperation capacities will be continued in the new cycle in order to improve the institutional framework for providing such assistance and to facilitate the preparation, management and implementation of a national strategy. Such an institutional framework is necessary to coordinate existing and planned assistance. It is also needed to ensure transparency, public awareness and accountability.

17. To facilitate the transition of the Government as an emerging donor, a trust fund mechanism will be set up. The Government will finance the fund; UNDP will manage the fund and collaborate with the Government on the allocation and monitoring roles. In addition, the Government and UNDP are currently discussing a government contribution to the Regional Bureau for Europe and the Commonwealth

of Independent States (RBEC) regional programme. The contribution is intended to support good-governance efforts in the region with the possibility of establishing a local government information network (LOGIN) anchor organization in Prague.

18. The main expected outcome is to elaborate a national strategy geared towards strengthening the institutional and legal frameworks for the management of external resources. In doing so, capacities will be created for the designing and implementation of the development assistance programme. Officials in key government units will be trained through workshops, study tours and other learning activities. Furthermore, systems and organizational structures will be developed and implemented for the effective management of development-assistance activities.

B. Sustainable development — developing a national strategy

19. The formulation of the national strategy for sustainable development is proving instrumental in drawing attention to sustainable development concepts and approaches. While the preparation of the strategy is itself important, the focus of the 2001-2004 period should be to promote sustainable development by identifying and advancing specific issues at the policy level and by assisting in implementing the strategy in key priority areas.

20. The low-cost, low-energy building initiative of UNDP/GEF (CEH/98/G35) will also continue and be completed during the 2001-2004 period. Of most importance is the acceptance and application of the building initiative by municipalities which have national government funds to assist in construction of public housing and, more importantly, to attract private construction companies to apply the models. The project will not only have country-wide prospects but will also be replicated in other energy-poor countries in the RBEC region. The programme will develop a system to facilitate the construction of public housing using low-cost energy methodologies and materials. Capacities will be enhanced in the municipalities through training and by establishing participatory mechanisms comprising representatives from civil society and the private sector (construction companies) to guarantee the smooth implementation of the programme. It is expected that the programme will have a positive environmental impact by promoting sustainable uses of "clean" and low-cost energy and cost reductions in the construction of homes.

21. The first phase of cooperation has shown a maturation of the relationship between the Government and UNDP. It exemplifies the capabilities and cooperative arrangements that can exist between the two parties as the role of UNDP changes from a donor to a collaborative development partner and as the role of the Czech Republic changes from a recipient to a donor country. Such a transition requires a UNDP exit strategy that emphasizes the furthering of this collaborative relationship, thereby fostering a positive partnership.

IV. Management arrangements

A. Execution and implementation

22. National execution will continue to be the normal execution modality. National project managers and financial officers will be provided with appropriate training in accounting and reporting to ensure that accounting and auditing requirements are met. For the trust fund mechanism, the Government and UNDP will reach an agreement on specific methodologies.

23. Projects will be backstopped and supported by the RBEC Regional Service Centre based in Bratislava. Close consultation will take place between UNDP and the Ministry of Foreign Affairs, namely with the United Nations Department and with the Department of External Economic Relations and International Organizations. To the extent possible, other United Nations organizations, programmes and modalities will be used, such as the United Nations Volunteers programme, United Nations Short-Term Advisory Resources and technical cooperation among developing countries.

B. Monitoring, review and reporting

24. Projects will be reviewed periodically, according to project work plans, to ensure that targets and benchmarks are achieved and are fully results-oriented. Project managers will submit work plans, and progress and other reports, according to UNDP requirements. This is to include annual progress reports, performance and evaluation reports, technical reports as required, terminal reports and the necessary tripartite review meetings.

C. Resource mobilization

25. In view of the limited UNDP resources available, particular attention will be given to continuing efforts to mobilize additional resources by attracting cost-sharing contributions or trust funds. The Government will provide its cost-sharing contribution. The GEF will support a major portion of the low-cost, low-energy building project. Most of the proposed projects complement national activities aimed at European Union integration as well as other bilateral and ongoing government efforts.

Annex

Resource mobilization target table for the Czech Republic (2001-2004)

Source	Amount (In thousands of United States dollars)	Comments
UNDP regular resources		
Estimated carry-over	202	Includes AOS
TRAC 1.1.1	130	Assigned immediately to country
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	132	
Subtotal	**464***	
UNDP other resources		
Government cost-sharing	-	
Sustainable development funds	-	
Third-party cost-sharing	-	
Funds, trust funds and other	1 050	Czech Trust Fund with UNDP
Subtotal	**1 050**	
Grand total	**1 514***	

* Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: AOS = administrative and operational services; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.